

Shifting gears

Govt spells out ways to boost automotive industry

BY YAP LENG KUEN AND B.K. SIDHU

PUTRAJAYA: The Government has unveiled new initiatives designed to promote a dynamic local automotive industry that is globally competitive.

Incentives and support will be given to automotive manufacturers, in particular national car makers Proton and Perodua, as well as existing assemblers.

Investments that will make Malaysia a regional hub for manufacturing, assembly and distribution for automotive vehicles are also encouraged.

In releasing the National Automotive Policy Framework yesterday - the NAP itself will be released within one to three months - the Prime Minister's Department said measures for immediate implementation include:

- Phasing out of the controversial Approved Permit system.
- Establishment of an Industrial Adjustment Fund to help Malaysian car makers meet increased competition and liberalisation.
- Incentives to local component and parts manufacturers which include support for a global supply programme.
- Provision for training and R&D grants.
- Designation of five centres - Gurun, Bertam (in Seberang Prai), Pekan, Tanjung Malim and Shah Alam/Rawang - as automotive production centres.
- Provision of market development grants to encourage small- and medium-size enterprises to seek export markets.

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Interim measures to phase out APs

KUALA LUMPUR: Bumiputra-controlled public listed companies (PLCs) such as DRB-Hicom Bhd and Sime Darby Bhd that are currently exclusive franchise holders of certain vehicle brands can now import vehicles directly instead of via intermediaries.

This is part of the many measures that the Government outlined in the National Automotive Policy Framework released yesterday.

A statement from the Prime Minister's department said that bumiputra-controlled PLCs will be exempted from the 70% bumiputra shareholding requirement for franchise Approved Permit (AP).

It said the previous condition had created a situation where broad-based bumiputra-controlled entities had to use bumiputra intermediaries to import vehicles.

All this comes after an extensive review of the issues relating to the controversial AP.

The longer-term plan is to phase out APs, and thus the interim measures announced.

Another major measure is to freeze the issuance of franchise APs for import of new vehicle brands.

However, a change in the effective shareholding or ownership of the franchise AP holder for existing vehicle brands can be considered for approval.

The Government will also limit the importation of used vehicles through open APs to that of vehicles that are one to five years old.

This means that used vehicles of less than one year cannot

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Gear shift for foreign cars

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PUTRAJAYA: Foreign car manufacturers and assemblers which use Malaysia as a launch pad to tap regional and international markets will get priority treatment and incentives, similar to those given to the national car maker.

This is part of the Government's move to make Malaysia a regional automotive hub by providing incentives and infrastructure as well as implementing favourable policies to attract manufacturers or assemblers to remain or set up base in Malaysia.

The incentives will be given on a negotiated basis, said a government official.

In the light of global outsourcing trends, the Government will also continue to promote policies and incentives to attract components and parts manufacturers to invest in Malaysia.

But by no means will the Government be stifling the growth of its own national carmaker.

In fact, the Government will continue to support the national carmaker, Proton, in a way that it can compete with any manufacturer that comes to Malaysia.

"At present, Proton is entitled to the lion's share of the incentives based on the amount of investment they have put in," the official said.

"Going forward, Proton will have to compete, and if (for example) Toyota comes to Malaysia and they do the same thing, they will enjoy the same incentives like Proton."

Yesterday, the Government unveiled the National Automotive Policy (NAP) Framework - something that the industry has been waiting for months - to set the tone for the growth of the country's automotive sector.

The need to chart the future path was necessary in view of liberalisation, and the fact that the country had "significant potential for future growth."

Last year, Malaysia was the



INSPECTION LINE: The finished units of Proton Waja going through strict quality control at the manufacturing plant in Shah Alam.

largest producer of passenger cars in Asean, accounting for 24.4% of Asean's total production.

For commercial vehicles, Malaysia was the third largest producer, accounting for 11.0% of the total Asean production.

Substantial investments have also gone into building up the automotive sector and, to date, RM11.2bil have been invested by the manufacturers and assemblers, while automotive components and parts manufacturers have invested more than RM8.2bil.

The five main objectives cited in the framework to drive future growth are:

- TO promote a competitive and viable automotive sector, in particular national car manufactures;
- BECOME a regional hub for manufacturing, assembly and

distribution of automotive vehicles;

- ENHANCE value-added and local capabilities;
- TO promote export orientated Malaysian manufacturers as well as component and parts vendors;
- AND promote competitive and broad-based bumiputra participation in vehicle manufacturing, distribution and importation as well as in component and parts manufacture.

"Given the significant challenges facing the automotive industry, in particular globalisation, liberalisation and increasing competition, there is a need to review the strategic direction and policy framework for the domestic automotive sector," the statement from the Prime Minister's office said.

"This is crucial to maintain the competitiveness of participants in the automotive sector,

in order that they would be viable in the long term."

To support the five objectives, 10 interim measures were announced.

These include the establishment of the industrial adjustment fund that can be in the form of free loans and matching grants, and cover areas such as automation, upgrading of machinery, components, development cost as well as technology enhancement.

Training grants-will be considered to help employees upgrade their level of skills and competency besides providing research and development grants to undertake R&D into design and prototyping, as well as product development and improvement.

In addition, the technology acquisition fund will be extended to the auto industry and there will also be market devel-

opment-grants for small and medium enterprises to undertake activities for the export markets.

Companies can obtain a 50% matching grant on approved costs.

The customised incentives will be based on high valued-added content, degree of technology transfer, improvement in expertise, foreign exchange earnings, strengthening manufacturing value chain, developing linkages between industries and R&D.

The Government has designated production centres in five areas - Gurun in Kedah; Bertam in Seberang Prai, Penang; Pekan in Pahang; Tanjung Malim in Perak; and Shah Alam/Rawang in Selangor.

It does not encourage the setting up of other production centres for the automotive sector.

Excise duties for cars to change

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The Treasury also announced a change in the calculation of excise duties for passenger cars, 4WDs and MPVs.

Cars between 1800cc and 3000cc will enjoy a tax reduction in excise duties of between 3% and 28%.

DRB-Hicom group chairman Tan Sri Mohd Saleh Sulong said the NAP removed market uncertainties and prepared Malaysian automotive companies to move ahead and prepare for a new operating environment as mapped in the policy.

A spokesman for Proton Holdings Bhd said the National Automotive Policy was a positive step in the evolution of the Malaysian automotive industry as it created a more competitive playing field.

The Naza Group of Companies said the NAP created a conducive environment for manufacturers and assemblers in the country.

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No more APs for 'tuned-up' cars

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be imported.

Such importation in the past had led to abuses, the statement said.

As for APs awarded for importation of "tuned-up" vehicles, the statement said this would be discontinued effective from Jan 1.

The statement said open AP holders may import tuned-up vehicles using their quota of open APs and even in such cases, imported tuned-up cars would need to undergo comprehensive Road Transport Department inspections to ensure their compliance with the tune-up specifications.